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By: **Delegate Simmons**

Introduced and read first time: January 15, 2004

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Rate - Education Trust Fund**

3 FOR the purpose of altering the rate of the sales and use tax; establishing an  
4 Education Trust Fund; requiring certain distributions from the sales and use  
5 tax revenue to the Education Trust Fund to be used for a certain purpose; and  
6 generally relating to altering the rate of the sales and use tax and distributing  
7 certain sales and use tax revenue for certain education funding.

8 BY adding to  
9 Article - Education  
10 Section 5-201.1  
11 Annotated Code of Maryland  
12 (2001 Replacement Volume and 2003 Supplement)

13 BY adding to  
14 Article - Tax - General  
15 Section 2-1302.2  
16 Annotated Code of Maryland  
17 (1997 Replacement Volume and 2003 Supplement)

18 BY repealing and reenacting, with amendments,  
19 Article - Tax - General  
20 Section 2-1303 and 11-104(a) and (b)  
21 Annotated Code of Maryland  
22 (1997 Replacement Volume and 2003 Supplement)

23 **Preamble**

24 WHEREAS, During the 2002 Session, the General Assembly passed legislation  
25 that essentially codified the recommendations of the Commission on Education  
26 Finance, Equity, and Excellence (The Thornton Commission); and

27 WHEREAS, In order to help the State achieve the goals of the legislation that  
28 was enacted into law and entitled the "Bridge to Excellence in Public Schools Act", the

1 General Assembly finds and declares that this Act is necessary to help generate, at  
2 least in part, revenues required to fund the 2002 enactment; and

3 WHEREAS, The Maryland Constitution guarantees to all Maryland school  
4 children an adequate education; and

5 WHEREAS, The General Assembly reaffirms its support for the principle of  
6 equal educational opportunity; now, therefore,

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
8 MARYLAND, That the Laws of Maryland read as follows:

9 **Article - Education**

10 5-201.1.

11 (A) THERE IS AN EDUCATION TRUST FUND WHICH IS A SPECIAL CONTINUING,  
12 NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND  
13 PROCUREMENT ARTICLE.

14 (B) (1) THERE SHALL BE CREDITED TO THE EDUCATION TRUST FUND ALL  
15 SALES AND USE TAX REVENUE DISTRIBUTED TO THE FUND UNDER § 2-1302.2 OF THE  
16 TAX - GENERAL ARTICLE.

17 (2) THE MONEY IN THE EDUCATION TRUST FUND SHALL BE INVESTED  
18 AND REINVESTED BY THE TREASURER, AND INTEREST AND EARNINGS SHALL  
19 ACCRUE TO THE FUND.

20 (C) THE MONEY IN THE EDUCATION TRUST FUND SHALL BE USED TO OFFSET  
21 THE TOTAL FUNDING REQUIRED TO PROVIDE AN ADEQUATE EDUCATION FOR  
22 CHILDREN ATTENDING PUBLIC SCHOOLS IN THE STATE IN PREKINDERGARTEN  
23 THROUGH GRADE 12, THROUGH IMPLEMENTATION OF THE PROGRAMS COMMONLY  
24 KNOWN AS THE BRIDGE TO EXCELLENCE IN PUBLIC SCHOOLS ACT, FIRST ENACTED  
25 BY CHAPTER 288 OF THE ACTS OF THE GENERAL ASSEMBLY OF 2002.

26 (D) EXPENDITURES FROM THE EDUCATION TRUST FUND SHALL BE MADE  
27 EACH FISCAL YEAR IN ACCORDANCE WITH THE STATE BUDGET.

28 **Article - Tax - General**

29 2-1302.2.

30 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301 THROUGH  
31 2-1302.1 OF THIS SUBTITLE, THE COMPTROLLER SHALL DISTRIBUTE MONTHLY 16.67%  
32 OF THE REMAINING SALES AND USE TAX REVENUE TO THE EDUCATION TRUST FUND  
33 ESTABLISHED UNDER § 5-201.1 OF THE EDUCATION ARTICLE.

1 2-1303.

2 After making the distributions required under §§ 2-1301 through [2-1302.1]  
3 2-1302.2 of this subtitle, the Comptroller shall pay the remaining sales and use tax  
4 revenue into the General Fund of the State.

5 11-104.

6 (a) Except as otherwise provided in this section, the sales and use tax rate is:

7 (1) for a taxable price of less than \$1:

8 (i) 1 cent if the taxable price is 20 cents; [and]

9 (ii) [1 cent for each additional 20 cents or part of 20 cents] 2 CENTS

10 IF THE TAXABLE PRICE IS AT LEAST 21 CENTS BUT LESS THAN 34 CENTS; [and]

11 (III) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 34 CENTS BUT  
12 LESS THAN 51 CENTS;

13 (IV) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 51 CENTS BUT  
14 LESS THAN 67 CENTS;

15 (V) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 67 CENTS BUT  
16 LESS THAN 84 CENTS; AND

17 (VI) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 84 CENTS; AND

18 (2) for a taxable price of \$1 or more:

19 (i) [5] 6 cents for each exact dollar; and

20 (ii) [1 cent for each 20 cents or part of 20 cents] FOR THAT PART OF  
21 A DOLLAR in excess of an exact dollar:

22 1. 1 CENT IF THE EXCESS OVER AN EXACT DOLLAR IS AT  
23 LEAST 1 CENT BUT LESS THAN 17 CENTS;

24 2. 2 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT  
25 LEAST 17 CENTS BUT LESS THAN 34 CENTS;

26 3. 3 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT  
27 LEAST 34 CENTS BUT LESS THAN 51 CENTS;

28 4. 4 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT  
29 LEAST 51 CENTS BUT LESS THAN 67 CENTS;

30 5. 5 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT  
31 LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND

